George Weston Limited

Annual Report 1975

1975

Weston

George Weston Limited is a Canadian company with widely diversified operations in food processing, fisheries, forest products, packaging and wholesale-retail food distribution. With total consolidated sales in excess of $5.0 billion, George Weston Limited is one of the largest food

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Weston's

INTERIM REPORT
TO SHAREHOLDERS

SIX MONTHS ENDED
JUNE 30, 1975

GEORGE WESTON LIMITED

		1974
		1,427,000
		2,058,000
		1,290,000
		0,914,000
		1,084,000
		1.30 to 1
		4,222,000
		0,296,000
Total Assets	[illegible]	,294,307,000
Per Common Share		
Net Income	**$1.37**	$3.73
Income from Continuing Operations	**1.78**	3.65
Dividends	**1.22**	1.195

George Weston Limited
Annual Meeting, May 17, 1976 at 10:30 a.m.
Royal York Hotel, Toronto

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CONSOLIDATED FIN

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INCOME

	Three Months Ended June 30		Six Months Ended June 30	
	1975	1974	1975	1974
SALES AND OTHER INCOME				
Sales	$1,172,546	$1,071,752	$2,288,350	$2,098,830
Investment income	1,023	519	1,992	1,788
	1,173,569	1,072,271	2,290,342	2,100,618
COSTS AND EXPENSES				
Costs of sales, selling and administrative expenses before the following items	1,123,540	1,013,240	2,195,144	1,989,685
Depreciation	12,802	10,781	25,282	21,879
Interest on long-term debt	4,906	5,209	10,169	10,151
Other interest	4,183	4,856	8,231	9,216
Rentals on long-term leases net of deferred real estate income amortization	16,027	12,462	30,309	24,630
	1,161,458	1,046,548	2,269,135	2,055,561
INCOME FROM OPERATIONS before income taxes, minority interest and extraordinary items	12,111	25,723	21,207	45,057
INCOME TAXES	7,004	13,511	12,053	24,181
	5,107	12,212	9,154	20,876
MINORITY INTEREST	583	328	562	(416)
INCOME FROM OPERATIONS BEFORE EXTRAORDINARY ITEMS	4,524	11,884	8,592	21,292
EXTRAORDINARY ITEMS	2,541	67	2,603	165
NET INCOME FOR THE PERIOD	$ 7,065	$ 11,951	$ 11,195	$ 21,457
PER COMMON SHARE				
Income from operations before extraordinary items	$ .38	$ 1.06	$ .73	$ 1.89
Net income	$ .61	$ 1.06	$ .96	$ 1.90

George Weston Limited is a Canadian company with widely diversified operations in food processing, fisheries, forest products, packaging and wholesale-retail food distribution. With total consolidated sales in excess of $5.0 billion, George Weston Limited is one of the largest food manufacturers and distributors in North America.

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CIAL STATEMENTS

JUNE 30, 1975

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dollars)

CHANGES IN FINANCIAL POSITION

	1975	1974*
WORKING CAPITAL DERIVED FROM		
Operations—		
Net income	$ 11,195	$ 21,457
Depreciation	25,282	21,879
Deferred income taxes	2,567	8,946
Amortization of differences between cost of shares and fair value of net assets acquired	213	(310)
Amortization of deferred real estate income	(420)	(120)
Minority interest	614	(316)
	39,451	51,536
Book value of fixed assets disposed	5,457	7,542
Net increase (reduction) in capital stock	2,019	(160)
Net increase (reduction) in long-term debt and other liabilities	780	(10,490)
Increase in deferred real estate income	410	12,836
	48,117	61,264
WORKING CAPITAL APPLIED TO		
Dividends	7,286	6,982
Purchase of fixed assets	52,565	40,072
Reductions in minority interest	27,677	4,482
Other items	4,659	2,971
	92,187	54,507
DECREASE (INCREASE) IN WORKING CAPITAL	44,070	(6,757)
WORKING CAPITAL at beginning of period	181,084	199,988
WORKING CAPITAL at end of period	$137,014	$206,745

*Restated to conform with financial statement presentation adopted in 1975.

1974
1,427,000
2,058,000
1,290,000
0,914,000
1,084,000
1.30 to 1
4,222,000
0,296,000
4,307,000

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George Weston Limited
Annual Meeting, May 17, 1976 at 10:30 a.m.
Royal York Hotel, Toronto

TO THE SHAREHOLDERS:

Sales of $1.2 billion for the second quarter of 1975 and $2.3 billion for the six months ended June 30, 1975 both reflect 9% increases over the comparable periods in 1974. In both the second quarter and the first half of 1975, sales in all divisions except Forest Products and Fisheries were ahead of last year.

Income from operations for the first six months of 1975 was $8.6 million (73¢ per common share) compared to $21.3 million ($1.89 per common share) in 1974. Net income after extraordinary items for the period amounted to $11.2 million (96¢ per common share) whereas in the first half of 1974 it was $21.5 million ($1.90 per common share). In the second quarter extraordinary income includes $2.5 million resulting from final recovery of income tax and other provisions relating to a prior year disposal of facilities of The E. B. Eddy Company.

The following is a summary of income from operations, after minority interest, by operating divisions:

	1975	1974	Increase (Decrease)
	(in millions of dollars)		
Food Distribution—			
Weston Wholesale & Retail	$2.0	$ 2.6	$ (.6)
Loblaw	.4	(.8)	1.2
	2.4	1.8	.6
Food & Other Processing—			
Fisheries	—	2.1	(2.1)
Sugar Refinery	(1.3)	(1.3)	—
Manufacturing & Other	5.2	4.3	.9
	3.9	5.1	(1.2)
Forest Products	2.3	14.4	(12.1)
	$8.6	$21.3	$(12.7)

The principal factor affecting income is the performance of the Forest Products division in the current economic climate. While the division has been able to withstand the downturn without loss, recovery of both pulp and fine paper sales will remain closely tied to the general economic situation, and the rate of recovery remains uncertain.

Food Distribution operations continue to show improvement and the outlook for the year remains positive. The decline in indicated profits of the Weston Wholesale & Retail Food Distribution division shown above is attributable to the sale of Kelly, Douglas to Loblaw in the second quarter of 1975, which favourably affects the results shown for Loblaw.

Performance in the Fisheries division continues to be affected by depressed markets and rising costs, and strike action presently underway in British Columbia may further adversely affect the year's results. The Sugar Refinery's loss was greatly reduced in the second quarter and it is expected that this division will become profitable in the near future.

In spite of the difficult economic environment in which we are operating, I still expect that 1975 will be a satisfactory year for your Company.

Toronto, Canada
July 31, 1975

W. GALEN WESTON
Chairman of the Board
& Managing Director

George Weston Limited is a Canadian company with widely diversified operations in food processing, fisheries, forest products, packaging and wholesale-retail food distribution. With total consolidated sales in excess of $5.0 billion, George Weston Limited is one of the largest food manufacturers and distributors in North America.

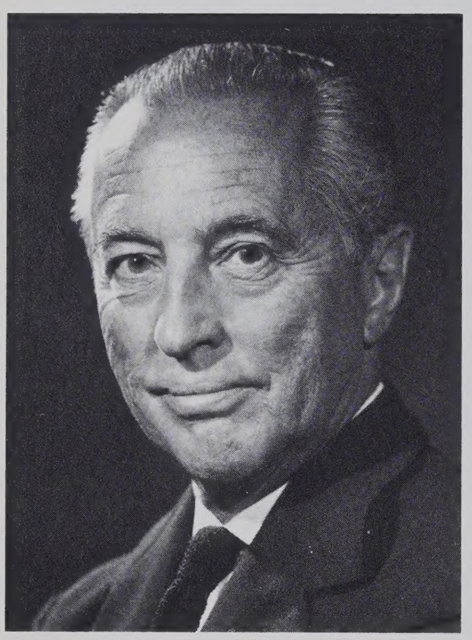
Financial Highlights

	1975	1974
Sales	**$5,046,693,000**	$4,711,427,000
Net Income	**16,233,000**	42,058,000
Income from Continuing Operations	**20,745,000**	41,290,000
Working Capital Generated from Operations	**77,482,000**	100,914,000
Working Capital	**144,475,000**	181,084,000
Working Capital Ratio	**1.25 to 1**	1.30 to 1
Dividends	**14,580,000**	14,222,000
Shareholders' Equity	**233,902,000**	230,296,000
Total Assets	**1,247,681,000**	1,294,307,000
Per Common Share		
Net Income	**$1.37**	$3.73
Income from Continuing Operations	**1.78**	3.65
Dividends	**1.22**	1.195

George Weston Limited
Annual Meeting, May 17, 1976 at 10:30 a.m.
Royal York Hotel, Toronto

Facilities in North America
Food Processing
Fisheries
Forest Products and Packaging
Wholesale and Retail

Report to Shareholders



W. Garfield Weston

W. Galen Weston

1975 RESULTS

1975 produced record consolidated sales of $5.0 billion for George Weston Limited, an increase of 7.1 percent over 1974. These sales were generated by three major groups of subsidiary companies:

- $4.3 billion, or 85 percent of total sales, from wholesale/retail distribution companies
  - $2.2 billion (43.1 percent of total sales) from Canadian food wholesale/retail operations
  - $2.0 billion (40.5 percent of total sales) from U.S. food wholesale/retail operations
  - $77 million (1.5 percent of total sales) from Canadian non-food distribution operations
- $536 million, or 10.6 percent of total sales, from food processing companies
- $395 million, or 7.8 percent of total sales, from natural resource-related companies
  - $220 million from forest products and packaging
  - $175 million from fisheries.

Despite the increased sales level, 1975 income from continuing operations of $20.7 million was substantially below the 1974 record level of $41.3 million. Changes by major segment were as follows:

- Wholesale/retail distribution profits decreased from $7.3 to $3.7 million
- Food processing contribution together with other income and expenses improved from a loss of $1.3 million to an $11.2 million profit
- Natural resource-related profits decreased $29.5 million
  - Forest products and packaging profits fell from $33.0 to $4.8 million
  - Fisheries profits declined from $2.3 to $1.0 million.

A number of factors contributed to this earnings decline:

- Extensive price competition was experienced in key markets serviced by our U.S. food distribution companies.
- World paper markets weakened early in 1975.
- Labour strike activity hit every segment of the business including food processing and distribution with the most damaging impact upon the natural resource-related companies. Eddy Forest Products, which contributed 70 percent of 1974's record earnings, had its operations shut down for the entire fourth quarter; Somerville's packaging facilities were closed down for an extended period of time; and British Columbia Packers was struck by fishermen and plant workers just as the critical salmon runs were beginning.

The cyclical earnings pattern in recent years, highlighted by the 1974 and 1975 results, emphasizes the fact that your Company has been overly reliant upon the volatile natural resource-related segment for its base profitability. To rectify this imbalance, management has been, and continues to be, committed to a program that will build a higher and more stable level of core profitability in the less cyclical distribution and food processing segments of our business. During 1975 major progress was made in this program.

Distribution

As noted earlier, our wholesale/retail companies account for 85 percent of total sales — but they produce only 50 percent of pre-tax profits. If we assume that current industry pre-tax profit margins are approximately 1.5 percent of sales, then the profit potential of our $4 billion-plus distribution sales base should be at least $60 million — or more than double our 1975 pre-tax profit level of $25 million.

It is gratifying to note that due to the restructuring process carried out over the past 3 years, the Canadian wholesale/retail food companies (which constitute over half of total distribution sales) exceeded this industry profit level in 1975.

However, this accomplishment was largely obscured by three negative factors, namely:

- Losses in our Canadian non-food distribution operations, compounded by
- Losses in our U.S. food distribution companies, plus
- Our inability to consolidate these losses for tax purposes against Canadian food distribution earnings.

To rectify this situation, major progress was made during 1975 in our ongoing program to restructure the unprofitable portions of our distribution companies:

- Future non-food profit performance will be substantially improved as a result of actions taken to discontinue a large portion of the Sayvette department store operation at a one-time cost in excess of $9 million.
- U.S. food distribution performance will benefit from an overall restructuring program presently underway. For example, late in 1975 we initiated the consolidation of certain functions of the wholesale operations of Peter J. Schmitt Co., Inc. in Buffalo, New York with the retail operations of Loblaw Inc. As a result of this overall program we anticipate that during the next few years a firm foundation will be built in the United States for a profit turnaround similar to that already achieved by our Canadian food distribution operations.

Food Processing

The food processing segment of our business has traditionally been the most stable segment of our profit base. During 1974 the start-up cost of the new sugar refining operations obscured the strong earnings trend of this division. However, in the second half of 1975 sugar refining operations achieved profitability. As a result, food processing operations meet or exceed current industry performance levels and we anticipate that during 1976 the strong earnings foundation provided by this segment of our business will continue to improve.

OUTLOOK

The operating environment faced by our companies continues to be uncertain. During 1975 the unchecked rate of inflation in Canada, compounded by an ever-increasing level of work stoppages resulted in government-enforced wage and price controls. The impact of these regulations upon your Company's operations cannot be precisely determined at this time.

The strike at Eddy Forest Products, although now settled, and the continued price competition in our U.S. retailing operations, will have a decidedly negative effect upon first half results in 1976. Nevertheless, we anticipate that the projected economic recovery in North America, a more settled labour environment, and a gradual reduction in the level of price competition in key U.S. markets will lead to a more balanced and improved profit performance as the year progresses.

W. Garfield Weston
Vice-Chairman of the Board
and President

W. Galen Weston
Chairman of the Board and
Managing Director

Review of Operations

Sales

Consolidated net sales exceeded $5 billion in 1975 (an increase of 7.1 percent over 1974) of which approximately $4 billion relates to the wholesaling and retailing and $1 billion to manufacturing and processing. The sales increase primarily reflects internal growth since there were no major external acquisitions during the year. Price inflation was more modest during 1975 than in the previous year. Comparative divisional sales are shown in the division reports.

Earnings

Income from continuing operations for 1975 was $20.7 million ($1.78 per common share) as compared to $41.3 million ($3.65 per common share) in 1974. Income in both years is presented on a fully consolidated basis.

Loss from discontinued operations, entirely in the Sayvette subsidiary, amounted to $2.0 million.

Extraordinary items in net amount of $2.5 million negative for the year included a $2.5 million favourable adjustment relating to disposal of certain E.B. Eddy Company properties in a prior year and Weston's proportion, amounting to $5.8 million, of the loss on closing a number of the Sayvette store operations.

Consolidated net income for the year was thus $16.2 million as compared to $42.1 million in 1974 — on a per share basis $1.37 versus $3.73.

Dividends

In 1975 dividends declared on the common shares amounted to $13.4 million as compared to $13.1 million in 1974. The quarterly rate of 30.5¢ established on July 1, 1974, was maintained throughout 1975. The regular rates of dividends were continued on all series of preferred shares.

Working Capital

Working capital decreased during the year by $36.6 million as compared to $16.5 million in the previous year. Funds provided from operations were $77.5 million and by net increase in long-term debt $12.1 million. Net outlays for fixed assets were $73.4 million and purchases of minority interests in certain subsidiaries $29.3 million. Balance of working capital at year-end was $144.5 million.

Capital Expenditures

Total fixed asset expenditures in the year were $97.3 million as compared to $116.4 million in 1974. Of this amount, approximately $43 million was expended for new stores, additions and remodelling and $4 million for new warehouses and mobile equipment. A further amount of $8 million was expended in completion of the $29 million distribution centre of National Tea Co. located near Chicago. Other major expenditures included $4.8 million in respect of a new $7.6 million bakery facility near Vancouver, B.C., $3.2 million on a $10.9 million project to rebuild a paper machine at Espanola, Ontario, and $3.5 million of a total of $8.8 million to convert the bleaching process at the Espanola pulp mill to a more efficient and pollution free operation.

Long-Term Debt and Shareholders' Equity

Long-term debt including current maturities was $283.3 million at year-end as compared with $280.7 million the previous year, while long-term debt less amounts payable within one year increased by $12.1 million to $270.3 million. Several private refinancings to extend maturity dates were completed during the year and long-term debt coming due in 1976 and 1977 was reduced from $104.6 million to $47.8 million. There were no public financings. Conversion of preferred shares during the year resulted in an increase in issued common stock of 20,000 shares at a value of $391,000.

Corporate Changes

In accordance with the objective of transferring all wholesale and retail operations to the Loblaw Companies Limited group, your Company sold in April, 1975, its 81.2 percent interest in Kelly, Douglas & Company, Limited (operating in Western Canada) and in October its 100 percent interest in Old State Foods, Inc. (operating in New York state) for shares of Loblaw Companies Limited. These changes completed the transfer and resulted in unified direction and control of all wholesale and retail operations.

During the year the minority interests of certain subsidiaries, Loblaw Inc. (food retailing in New York state), Sayvette Limited (department store retailing in Ontario) and G. Tamblyn, Limited (retail drug distribution in Eastern Canada) were acquired primarily to provide greater flexibility in their restructuring.

Also the Loblaw Companies interest in National Tea Co. (food retailing in central United States) was increased through cash tender offer from 56.7 percent to 79.6 percent. This interest was subsequently increased on December 31, 1975 to 84.0 percent by an issue of shares for cash to a subsidiary of the Company.

At the end of the year The E.B. Eddy Company and Eddy Forest Products Limited amalgamated and are continuing under the Canada Business Corporations Act with the name of E.B. Eddy Forest Products Ltd.

Subsequent Events

Westfair Foods Ltd., a subsidiary of Kelly, Douglas & Company, Limited, acquired for cash from National Tea Co. its distribution centre and certain undeveloped real estate in Denver, Colorado, and agreed to operate the National stores in Colorado temporarily and eventually franchise or purchase the stores. This move will enable Kelly Douglas to exercise its wholesaling expertise in a challenging market area and National Tea to further concentrate its efforts in its major market areas.

Kelly Douglas agreed to sell, subject to the approval of the Canadian Foreign Investment Review Agency, the Nabob Foods operation to Jacobs A.G. of Switzerland. Jacobs is a leading company in the field of roasted and instant coffees in Europe. This sale will enable Kelly Douglas to concentrate more fully on its major interest — the distribution of food products.

Biscuit packaging line
FFV Interbake Foods Inc.
North Sioux City, South Dakota

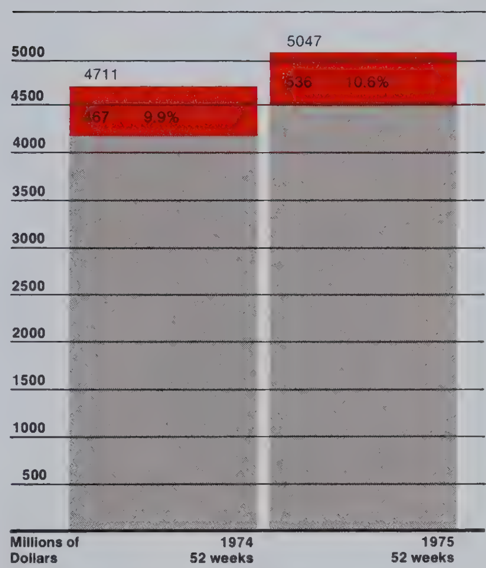
Food Processing

Total sales of this division's products in 1975 amounted to $536 million as compared to $467 million in 1974, representing 10.6 percent and 9.9 percent respectively of consolidated net sales.

Bakery sales at $148 million were increased 11.8 percent. Earnings, although improved, did not increase proportionately as margins were affected by strikes at two of the major bakery operations. A major development was the acquisition of land and buildings in Vancouver, and the purchase of equipment to provide a new modern automated bakery in that city.

The biscuit operations gained 5.2 percent in sales to $150 million with a proportionate increase in earnings. Prices of products were not increased during the year and some prices were reduced as raw material prices stabilized. The confectionery plant at Brantford was closed and production integrated with that of McCormick's Limited at London, Ontario. The new baking facility of FFV Interbake Foods Inc. at North Sioux City, South Dakota, was completed and is in operation.

Chocolate and dairy sales at $106 million reflected a gain of 18 percent over 1975, while income increased 37 percent. The Neilson operation continued to command a leading position in the confectionery and ice cream markets and reflected an increase of 16 percent in dollar volume of sales. A range of high quality food products, including vacuum packed nutmeats, has been developed and Hot Chocolate, Drinking Chocolate and others are planned for early 1976. Dairy operations recorded sales of $40 million as compared with $27 million in 1974 and included a full year of sales of Clark Dairy in Ottawa, acquired in 1974. Distribution of Donlands was extended in 1975 to include Barrie/Orillia and Port Hope/Belleville regions, and research was initiated with a marked degree of success into extending the shelf life of fluid milk. Plans for 1976 include studies in the field of culture product production and increased distribution efficiency.



Division & Consolidated Sales

In the food specialties division, 1975 was a solid turnaround year for the sugar refinery, with operations improving steadily to consistently higher production levels in the last quarter. The absence of the large, non-recurring start-up costs experienced in 1974 and the reduction in interest costs relative to inventories of raw sugar occasioned by the dramatic decline in raw sugar prices contributed to a much improved performance. Sugar operations were profitable in the second half of the year and the outlook for 1976 is promising. The Bowes group continued its satisfactory performance of the previous year.

Principal Subsidiaries

Bakery
- Weston Bakeries Limited
  - Lane's Bakeries Limited
- Stuart Limited
- Wittich's Bread Limited
- Soo Line Mills (1969) Limited
- McCarthy Milling Company, Limited

Biscuit
- InterBake Foods Limited
- Weston Foods Limited
- McCormick's Limited
  - Imperial Cone Company
  - Bates Packaging Services Limited
- Paulin Chambers Co. Ltd.
- Marven's Limited
- Kambly (of Switzerland) Canada Limited
- Interbake Foods Inc. (U.S.) and divisions
  - Richmond, Va.
  - Tacoma, Wash.
  - North Sioux City, S.D.
  - Battle Creek, Mich.
  - Bates Packaging Services

Chocolate & Dairy
- William Neilson Co. Limited
- Donlands Dairy Limited
- Clark Dairy Limited

Food Specialties
- Bowes Company, Limited
  - Chocolate Products Limited
  - McNair Products Company, Limited
  - Rose & Laflamme Limited
  - Saxonia Fruit Preserving Company, Limited
  - Watt & Scott Limited
- Westcane Sugar Limited
- McLarens Foods Limited
- Niagara Food Products Limited

Facilities

Bakery
Bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Toronto, Sudbury, Kingston, Kirkland Lake, Montreal and Moncton.
Flour mills in Winnipeg and Streetsville, Ontario.
Warehouses in principal cities in Canada.

Biscuit
Biscuit and confectionery plants in Winnipeg, Toronto, London, Longueuil, Moncton in Canada and Richmond, Va., Tacoma, Wash., North Sioux City, South Dakota and Battle Creek, Mich.
Sales branches and distributors in principal cities of Canada and United States.

Chocolate & Dairy
Chocolate production facilities in Toronto. Ice cream plant in Toronto and dairies in Beachville, Guelph, Ottawa and Toronto, Ontario.

Food Specialties
Manufacturing and processing plants in Toronto, Hamilton, Montreal, and Colborne, Ontario.
Warehouses in principal Canadian cities.
Refinery and warehouse in Oshawa, Ontario.

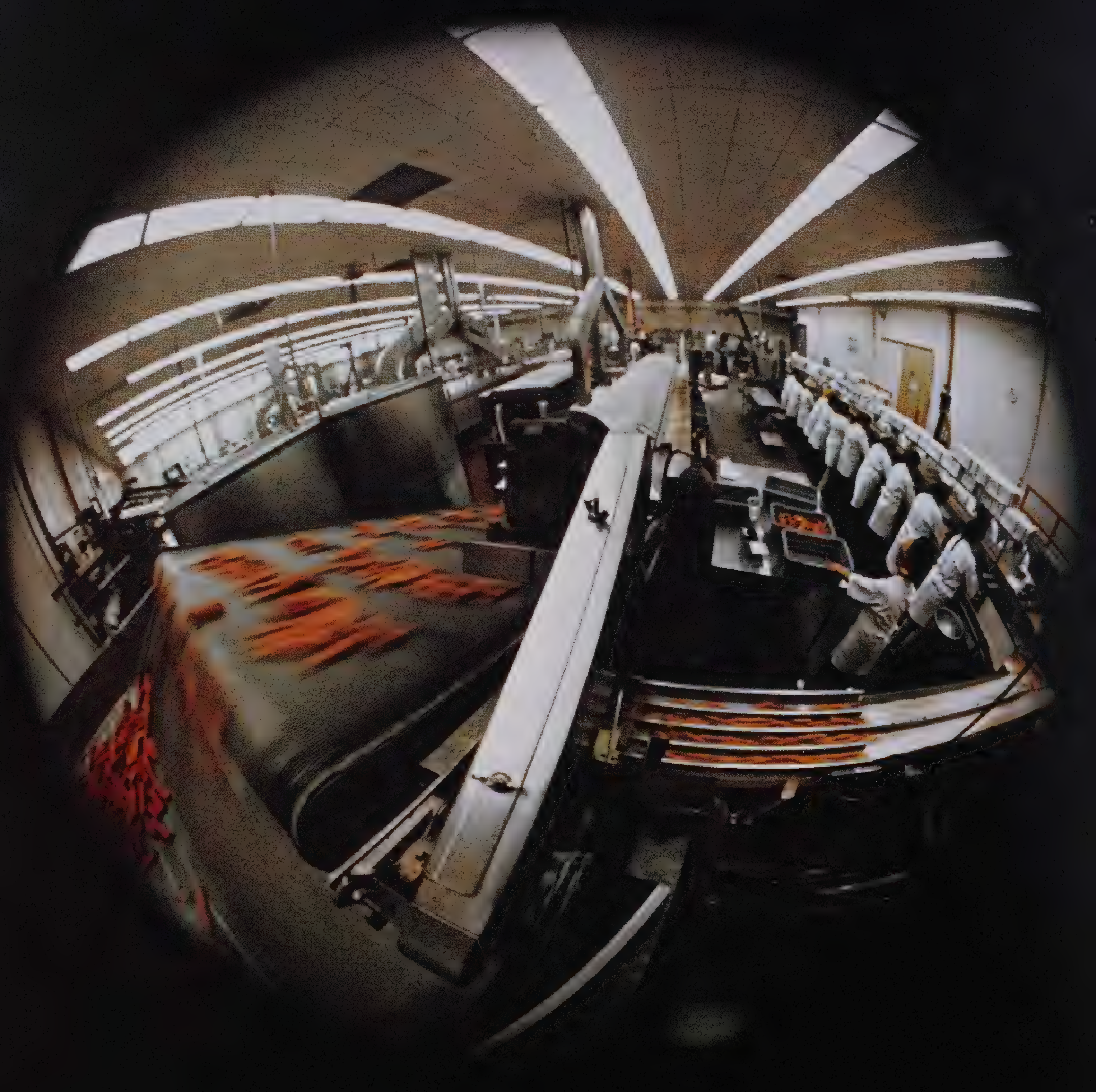
Products & Services

Bakery
Produces a wide variety of bread, rolls, cakes and other bakery products under national brand and private label for distribution to food stores and catering outlets in all provinces of Canada.
Produces flour and mill feeds for internal use and domestic and export markets.

Biscuit
Manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones, confections and candies throughout Canada and in the United States.

Chocolate & Dairy
Produces and distributes throughout Canada and in the United States a wide range of chocolate bars and boxed chocolates, chocolate coatings, cocoa and specialty items. Also manufactures bulk and packaged ice cream and frozen novelties, and processes milk and associated products.

Food Specialties
Manufactures a variety of ingredients and products for the baking, confection, dairy and fountain industries.
Packages and distributes a full line of dried and glace fruits, nuts, cereals, fruits, vegetables and health foods.
Produces liquid bulk and granulated bulk and packaged white sugars.



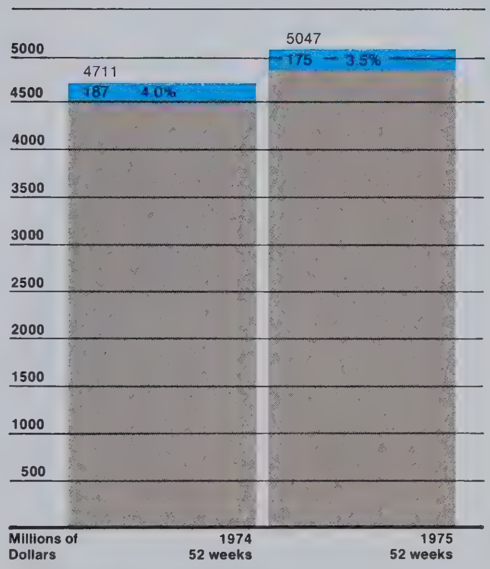
Fish processing operations
B.C. Packers
Rupert's Certi-Fresh Division
Los Angeles, California

Fisheries

Sales of the division declined 6 percent from 1974 to $175 million (3.5 percent of consolidated net sales). While Connors Bros., Limited enjoyed a substantial increase in both sales and income, British Columbia Packers Limited suffered a significant reduction in sales and a severe reduction in net income.

British Columbia Packers Limited sales declined 10 percent to $145 million and net income dropped from $1.6 million to $30,000 primarily due to an extremely poor run of salmon in British Columbia and a lengthy labor strike during the season. The British Columbia salmon catch was only 68 million pounds as compared to a ten year average of 145 million pounds and the resultant salmon pack the lowest since 1904. The poor runs were caused by environmental factors which are expected to be temporary in nature. Landings of herring and groundfish were similar to 1974 on both Pacific and Atlantic coasts but markets for these products were for the most part depressed during 1975. The United States operations in shellfish and Alaska red salmon were much improved. The rapeseed mill at Lloydminster, Alberta, in which the company has a one third interest, commenced production in early December.

Increasing attention is being devoted to methods of improving the utilization of raw materials, facilities and personnel, and to examining opportunities that could develop when Canada extends its fisheries jurisdiction, including joint ventures to harvest currently under-utilized species of fish. The outlook for 1976 is affected by the low inventory of canned salmon available for sale and the forecast below-average salmon run in British Columbia. With no lengthy interruptions to major operations anticipated and the market showing reasonable recovery it is anticipated that 1976 results will show improvement over those of 1975.



Division & Consolidated Sales

Connors Bros. enjoyed another successful year, with sales increasing 18 percent to $30.1 million and net income up 18 percent. A large new cannery at Black's Harbour, New Brunswick was completed and brought into full production during 1975, and utilization of production facilities was improved by increasing the volume of herring and sardine frozen for canning during slack periods. It is anticipated that Connors Bros. will have a good year again in 1976.

Principal Subsidiaries

British Columbia Packers Limited
- NelPack Fisheries Limited
- Rupert's Certi-Fresh Foods, Inc.

Connors Bros., Limited
- H. W. Welch, Limited
- Lewis Connors & Sons Limited

Facilities

British Columbia Packers Limited has extensive canning, freezing and processing facilities on both coasts of Canada and subsidiary operations in Alaska, Washington, Illinois, California and Texas. Connors has similar facilities in the Bay of Fundy area including a can manufacturing plant.

Products & Services

British Columbia Packers group is a major supplier of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared seafoods, as well as fish meal and oil. Connors group is Canada's leading packer of sardines and a large processor of Atlantic Ocean seafoods and fish products.

Lumber storage area
Eddy Forest Products
Espanola, Ontario

Forest Products and Packaging

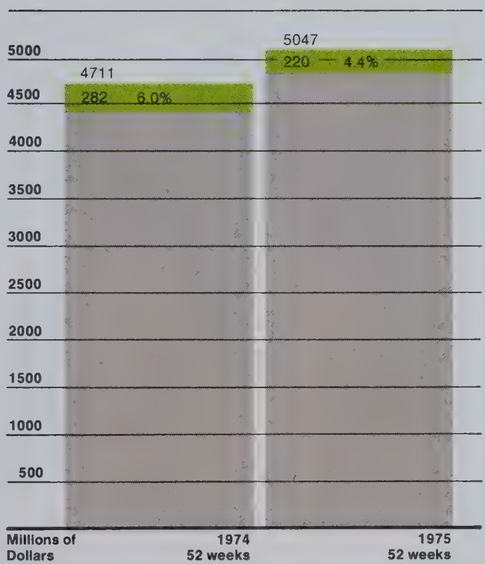
Both sales and income declined sharply in 1975. Division sales in 1975 of $220 million (4.4 percent of consolidated net sales) were 22 percent less than the $282 million in 1974. While packaging maintained its previous year's sales volume both forest products and packaging suffered a drastic reduction in earnings due primarily to depressed conditions in the pulp and paper markets, strikes in certain packaging operations and a strike in the pulp and paper mills which continued throughout the last quarter.

Sales of forest products declined 28 percent to $158 million. Prior to the strike the pulp and paper mill operations at Espanola were showing significant productivity gains and profits were beginning to return to more reasonable levels.

E.B. Eddy operations in Hull and Ottawa were at a reduced operating level as a result of depressed fine and specialty paper markets. Eastern Fine Paper at Brewer, Maine, also suffered from poor U.S. market conditions throughout 1975. Eastern Fine has now returned to a 7-day operation as the American paper market strengthens.

The wood products operations, which include McChesney Lumber at Timmins, Ontario, the sawmill at Nairn Centre, Ontario, and the white pine sawmill at Davidson, Quebec, while profitable, still suffered the effects of the 1975 depressed lumber market. Fortunately the market is showing signs of strengthening as the American economy improves.

Capital expenditures are programmed to increase the pulp mill profitability while reducing pollution through a recently proven technological change in the bleaching process, and for cutting costs at Hull-Ottawa through manufacture and use of recycled fiber. In addition, improvements to E.B. Eddy tissue machines will reduce costs as well as raise quality and new facilities at Davidson, Quebec, will expand production of the lumber operations. It is anticipated that these capital expenditures, as well as the present strengthening in the U.S. economy, will return the forest products division to healthy levels of operations and earnings in 1976, although the effects of the strike, now settled, will be felt most severely in the first quarter and will be carried through the year.



Division & Consolidated Sales

While consolidated net sales of Somerville Industries at $62 million in 1975, were unchanged from 1974, net income declined from $2.8 million to $1.8 million. A protracted strike affecting the packaging and games product operations and generally unfavorable market conditions were the major factors in the decline in earnings. Mastico Industries showed an outstanding performance, but plastics volume was down. Volume in the automotive division, which suffered from the decline in the automotive industry's output, was substantially maintained by diversification into non-automotive products. A return to more satisfactory sales and profit levels is forecast for 1976.

Principal Subsidiaries

Forest Products

Eddy Paper Company Limited
- E. B. Eddy Forest Products Ltd.
- Rudolph McChesney Lumber Company Limited
- Eastern Fine Paper, Inc. (U.S.)

Packaging

Somerville Industries Limited
- Somerville Automotive Trim Limited
- Canadian Folding Cartons Limited
- Mastico Industries Limited (50% owned)

Facilities

Forest Products

Extensive timber limits and wood harvesting facilities in Ontario and Quebec. Pulp mill in Espanola, Ontario and paper mills in Espanola and in Hull, Quebec and Brewer, Maine. Sawmills in Davidson, Quebec and Nairn Centre and Timmins, Ontario. Flexible packaging plant in Hamilton, Ontario.

Packaging

Major packaging plants in London, Toronto, Montreal and Winnipeg. Reinforced plastic and automotive trim plants in Toronto and Windsor. Plastic injection moulding and point-of-purchase display plants in Toronto.

Products & Services

Forest Products

Manufactures and distributes fine, specialty and kraft papers for printing, converting, packaging and wrapping; paper-board, kraft pulps and lumber; tissue, other household and industrial paper products; flexible packaging.

Packaging

Folding cartons of all types; games and puzzles; fibreboard, hardboard and compression moulded components for the automotive and business machines industries, plastic cups, dishes and cutlery; custom injection moulding and vacuum forming; merchandising displays and exhibits; insulating and sound deadening components, chiefly for the automotive trade. Distribution across Canada and in the United States.

Newly constructed
meat processing facilities
National Tea Co.
Chicago, Illinois

Wholesale and Retail

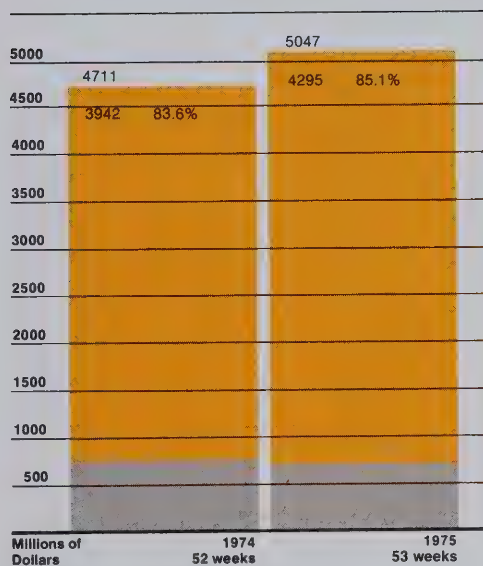
The 1975 sales of the division amounted to $4,295 million (85.1 percent of consolidated net sales) reflecting an increase of $353 million or 8.9 percent over 1974. With the transfer of Kelly, Douglas & Company, Limited (Western Canada) and Old State Foods, Inc. (Western New York state) during the year, all wholesale and retail operations of the Company are now carried on by the Loblaw Companies Limited group.

The Canadian operations with net sales of $2,251 million showed an improvement of $250 million or 12.5 percent over 1974. Kelly Douglas enjoyed a successful year. Both sales and earnings increased substantially. After tax profits of $8.7 million in 1975 included $2.9 million in gains on sales of properties and other assets no longer required and $0.8 million gain on the disposal of the Campco catering operations in Alaska, the Cloverdale paint operations and a prior year income tax adjustment. All divisions of Kelly Douglas showed increased sales and earnings. The melding of Kelly Douglas and Westfair Foods has created the finest wholesale/retail group in Western Canada. In March of 1976, Kelly Douglas entered the food distribution field in the United States by acquiring from National Tea Co. its wholesale distribution facilities and certain real estate in Denver, Colorado, and agreed to operate its retail stores in Colorado with a view to eventually franchising or purchasing them. Also in March, Kelly Douglas agreed to sell, subject to approval by the Canadian Foreign Investment Review Agency, the Nabob Foods operation to Jacobs A.G. of Zurich, Switzerland. These moves will enable Kelly Douglas to concentrate more fully on its major interest — the distribution of food products.

The food retailing operations of Loblaws and Zehr's in Ontario and Dionne in Quebec showed a substantial gain in sales — from $686 million to $796 million — with a corresponding increase in income from operations. During 1975 the minority interests of both Sayvette and Tamblyn were acquired in order to gain more flexibility in a program to regain profitability in these operations. During the third quarter of 1975 the larger part of the Sayvette department store operations was discontinued. Although substantial closing costs were incurred, management believes the action taken was in the best interest of your Company and the continuing operations will have no material adverse effect. The wholesale food distribution operations of Atlantic Wholesalers and National Grocers continued to perform quite well.

The net sales of the U.S. operations increased 5.3 percent from $1,941 million to $2,044 million. At National Tea, while sales rose 4.9 percent to $1,518 million, the loss on operations increased from $2.7 million to $6.1 million. The adverse results are due primarily to a competitive price war that has continued since early 1975 in the Chicago area and has resulted in severe gross margin reductions at a time when costs have continued to increase. On the other hand, the New Orleans, St. Louis and Indianapolis divisions performed extremely well during the year with earnings consistent with industry levels. The program of restructuring and rebuilding is continuing with 11 new stores added and 4 stores enlarged and many others remodelled and updated in 1975.

In the latter part of the year several of the operations of Loblaw Inc. and Peter J. Schmitt Co., Inc. in New York state were consolidated. While operations in 1975 were not profitable, the rationalization of the distribution facilities is expected to yield an improvement in earnings later in the year.



Division & Consolidated Sales

Principal Subsidiaries

Canadian Operations

Loblaw Companies Limited
- Loblaws Limited
  - Atlantic Wholesalers, Limited
  - National Grocers Company, Limited
  - Zehrmart Limited
    - Sayvette Division
    - Zehrs Markets Division
  - G. Tamblyn, Limited
  - Dionne Limited
- Kelly, Douglas & Company, Limited
  - Nabob Foods Limited
  - Super Valu Stores (B.C.) Division
  - Cal-Van, Canus Catering Services Ltd.
  - Isaacs Pharmacy Ltd.
  - Dickson's Food Services Ltd.
  - Foremost Foods Ltd.
  - W. H. Malkin Ltd.
  - Westfair Foods Ltd.
    - Western Grocers
    - Dominion Fruit
    - O.K. Economy Stores
    - Shelly Brothers
    - Econo-Mart
    - Loblaw West

United States Operations

National Tea Co.
Loblaw Inc.
Old State Foods, Inc.
- Peter J. Schmitt Co., Inc.

Facilities

Canadian Operations

Warehouses in strategic centres with about 400 supermarkets and 165 retail drug stores across Canada and 4 department stores in Ontario. Food manufacturing plants in Burnaby, British Columbia and Ajax, Ontario.

United States Operations

Approximately 600 supermarkets located primarily in central United States with warehouses in major centres.

Products & Services

Canadian Operations

Wholesale and retail marketing of food, drug and other products throughout Canada, catering and restaurant servicing in Western Canada, department store operations in Ontario and food manufacturing for distribution in Canada and United States.

United States Operations

Wholesale and retail distribution of food, drug and other products in central United States and California.

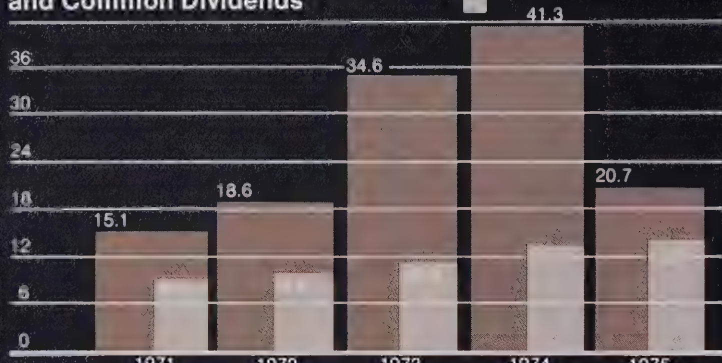
Financial Charts

In Millions of Dollars

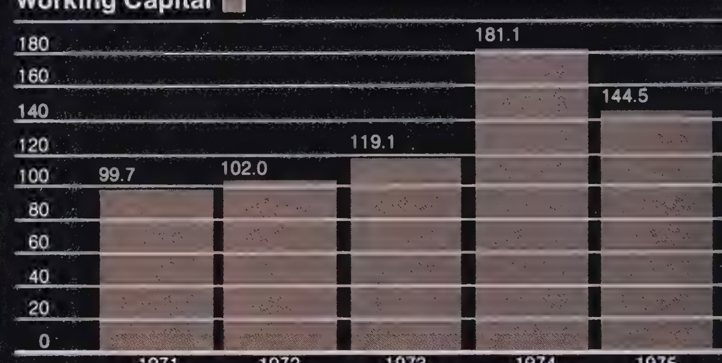
- Food Processing
- Fisheries
- Forest Products and Packaging
- Wholesale and Retail
- Interdivision

Net Sales 52 week periods

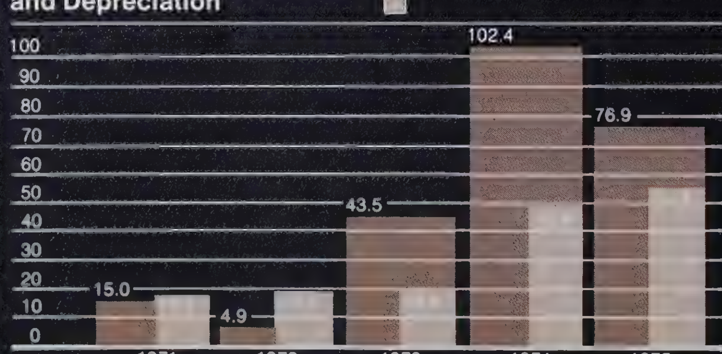
Income from Continuing Operations and Common Dividends



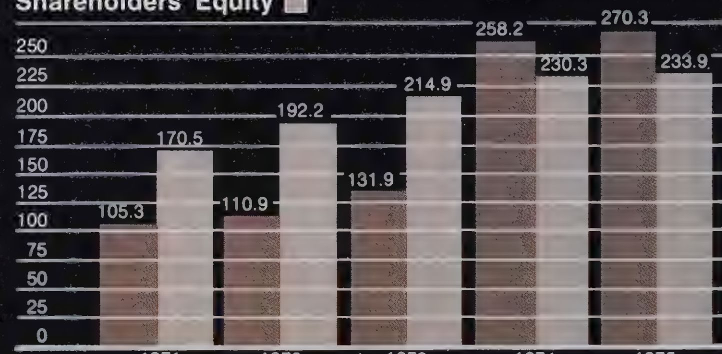
Working Capital



Fixed Assets Net Expenditure and Depreciation



Long Term Debt and Shareholders' Equity



Seven Year Review

George Weston Limited
(in millions of dollars)

	Including all Subsidiaries		Excluding Loblaw Companies Limited				
	1975	1974	1973	1972	1971	1970	1969
Sales and Income							
Sales	**$5,046.7**	$4,711.4	$1,377.4	$1,137.2	$1,036.6	$997.4	$931.9
Depreciation	**54.5**	48.6	19.8	19.0	17.4	17.2	15.8
Interest	**40.6**	44.9	15.8	10.2	10.3	11.4	11.2
Taxes on Income	**26.9**	48.9	31.1	13.7	11.4	11.9	13.0
Income from Continuing Operations	**20.7**	41.3	34.6	18.6	15.1	14.4	15.4
per common share	**1.78**	3.65	3.06	1.61	1.29	1.23	1.33
Loss from Discontinued Operations	**2.0**	1.1	—	—	—	—	—
Extraordinary Items	**(2.5)**	1.9	—	11.3	1.7	1.2	.1
Net Income	**16.2**	42.1	34.6	29.9	16.8	15.6	15.5
per common share	**1.37**	3.73	3.06	2.65	1.45	1.35	1.33
Dividends							
common shares	**13.4**	13.1	10.9	9.6	9.2	8.7	8.2
preferred shares	**1.1**	1.1	1.2	1.0	1.0	.9	.9
Financial Position							
Current Assets	**711.8**	783.8	345.2	257.9	234.8	218.6	212.8
Current Liabilities	**567.3**	602.7	226.1	155.9	135.1	119.4	107.7
Working Capital	**144.5**	181.1	119.1	102.0	99.7	99.2	105.1
Fixed Assets — Net	**483.4**	458.2	213.2	182.7	181.0	183.4	183.4
Long-Term Debt	**270.3**	258.2	131.9	110.9	105.3	110.3	121.2
Shareholders' Equity	**233.9**	230.3	214.9	192.2	170.5	164.0	156.5
Total Assets	**$1,247.7**	$1,294.3	$ 622.9	$ 498.0	$ 456.8	$442.4	$437.1

Note: By reason of Loblaw Companies Limited being consolidated with George Weston Limited for the first time in 1974, the prior years figures are not directly comparable to 1974 and 1975

Consolidated Financial Statements

Consolidated Statement of Income

George Weston Limited
Year ended December 31, 1975
(in thousands of dollars)

	1975	1974
Sales and other income		
Sales	**$5,046,693**	$4,711,427
Investment income	**5,132**	4,503
	5,051,825	4,715,930
Costs and expenses		
Cost of sales, selling and administrative expenses before the following items	**4,834,913**	4,472,872
Rentals on long-term leases net of deferred real estate income amortization	**71,982**	55,714
Depreciation	**54,461**	48,594
Interest on long-term debt	**22,220**	23,899
Other interest	**18,429**	20,979
	5,002,005	4,622,058
Income from continuing operations before income taxes and minority interest	**49,820**	93,872
Income taxes (note 2)	**26,852**	48,929
	22,968	44,943
Minority interest	**2,223**	3,653
Income from continuing operations	**20,745**	41,290
Loss from discontinued operations (note 3)	**2,022**	1,111
Income before extraordinary items	**18,723**	40,179
Extraordinary items (note 4)	**(2,490)**	1,879
Net income for the year	**$ 16,233**	$ 42,058
Per common share (note 13)		
Income from continuing operations	**$ 1.78**	$ 3.65
Loss from discontinued operations	**$ .18**	$ .10
Extraordinary items	**$ (.23)**	$ .18
Net income for the year	**$ 1.37**	$ 3.73

Consolidated Balance Sheet

George Weston Limited
(incorporated under the laws of Canada)
As at December 31, 1975

(in thousands of dollars)

Assets	**1975**	1974
Current assets		
Cash and short-term investments	**$ 35,425**	$ 55,470
Accounts receivable (note 5)	**163,835**	161,058
Income taxes recoverable		3,243
Properties held for sale, at the lower of cost and net realizable value	**8,007**	4,006
Inventories (note 6)	**488,817**	545,520
Prepaid expenses	**15,704**	14,496
	711,788	783,793
Investments (note 7)	**27,838**	28,882
Fixed assets (note 8)	**483,370**	458,164
Deferred items and intangibles		
Goodwill arising on consolidation of subsidiaries, less amortization	**16,113**	16,246
Deferred foreign exchange adjustment	**5,057**	4,593
Other deferred charges	**3,515**	2,629
	24,685	23,468
	$1,247,681	$1,294,307

Approved by the Board

W. Galen Weston, Director

W. Garfield Weston, Director

Liabilities	1975	1974
Current liabilities		
Bank advances and notes payable (note 9)	$ 208,718	$ 197,087
Demand loan from affiliated company	5,190	6,494
Accounts payable and accrued liabilities (note 10)	319,412	330,674
Taxes payable	17,634	42,596
Dividends payable	3,361	3,355
Long-term debt payable within one year (note 11)	12,998	22,503
	567,313	602,709
Long-term debt (note 11)	270,276	258,163
Other liabilities (note 12)	6,494	5,870
Deferred income taxes	40,455	38,545
Deferred real estate income	19,799	19,399
	904,337	924,686
Minority interest in subsidiaries	109,442	139,325
Shareholders' Equity		
Capital stock (note 13)	42,717	40,764
Retained earnings	191,185	189,532
	233,902	230,296
	$1,247,681	$1,294,307

Consolidated Statement of Retained Earnings

George Weston Limited
Year ended December 31, 1975
(in thousands of dollars)

	1975	1974
Retained earnings at beginning of year		
As previously reported	**$189,532**	$173,894
Adjustment relating to the consolidation of Loblaw Companies Limited as at January 1, 1974		(12,198)
As restated		161,696
Net income for the year	**16,233**	42,058
	205,765	203,754
Dividends declared		
Preferred shares	**1,136**	1,085
Common shares (1975 — $1.22 per share; 1974 — $1.195 per share)	**13,444**	13,137
	14,580	14,222
Retained earnings at end of year (note 14)	**$191,185**	$189,532

Consolidated Statement of Changes in Financial Position

George Weston Limited
Year ended December 31, 1975
(in thousands of dollars)

	1975	1974
Working capital derived from		
Operations		
Income before extraordinary items	**$ 18,723**	$ 40,179
Add (deduct)		
Depreciation	**54,593**	48,834
Deferred income taxes	**6,778**	13,494
Tax effect of loss carry forwards	**934**	374
Gain on sale of fixed assets	**(5,079)**	(3,773)
Amortization of goodwill arising on consolidation of subsidiaries	**759**	370
Amortization of deferred real estate income and capitalized lease obligations	**(989)**	(776)
Minority interest	**1,741**	2,136
Other	**22**	76
	77,482	100,914
Increase in long-term debt and other liabilities	**65,765**	33,865
Proceeds from sale of fixed assets	**23,933**	22,148
Net reduction in investments	**2,283**	3,739
Proceeds from issue of preferred and common shares	**2,045**	56
Prior year's sale of certain properties in Hull, Quebec	**790**	
	172,298	160,722
Working capital applied to		
Purchase of fixed assets	**97,313**	116,368
Reduction in long-term debt and other liabilities	**53,703**	30,241
Purchase of minority interest	**29,343**	5,068
Acquisition of subsidiary companies (net of working capital (deficiency) acquired of $(604), 1974 — $941) (note 1(b))	**2,948**	5,895
Dividends	**14,580**	14,222
Dividends to minority shareholders in subsidiary companies	**4,826**	5,331
Sayvette leasehold termination, store operations and other related costs during close-down periods	**5,501**	
Purchase of preferred shares for cancellation	**49**	205
Other items	**644**	(129)
	208,907	177,201
Decrease in working capital	**36,609**	16,479
Working capital at beginning of year		
As previously reported	**181,084**	119,078
Increase in working capital through consolidation of Loblaw Companies Limited		78,485
As restated		197,563
Working capital at end of year	**$144,475**	$181,084

Notes to Consolidated Financial Statements

George Weston Limited
December 31, 1975

1. Summary of Significant Accounting Policies

(a) Basis of consolidation
The consolidated financial statements include the accounts of the Company and all subsidiaries.

In 1975 the Company's interest in Westfair Foods Ltd. was sold to Kelly, Douglas & Company, Limited by way of share exchange. The Company's interest in Kelly, Douglas & Company, Limited and Old State Foods, Inc. was sold to Loblaw Companies Limited by way of share exchange and an undertaking by Loblaw Companies Limited to issue shares. In addition, Loblaw Companies Limited made a further investment in National Tea Co. (U.S.) and acquired all of the minority interest in Loblaw Inc. (U.S.), Sayvette Limited and G. Tamblyn, Limited.

Taking into account the foregoing, the effective interest of George Weston Limited in the equity share capital of principal subsidiaries which are not substantially 100% owned by the George Weston group is as follows at December 31, 1975:

British Columbia Packers Limited	82%
Loblaw Companies Limited	83%
Kelly, Douglas & Company, Limited	67%
Loblaws Limited	82%
Atlantic Wholesalers, Limited	71%
National Tea Co.	69%

The Company's effective percentage interest in certain subsidiaries is less than the percentage of control as these companies are owned by Loblaw Companies Limited in which George Weston Limited holds an 83% interest.

(b) Acquisitions
During the year the Company and its subsidiaries acquired two businesses. These transactions were accounted for as purchases, with the operating results of the acquired businesses included in the consolidated statement of income from the effective dates of acquisition.

The acquisition equation based on unaudited financial statements at dates of acquisition is set out below:

	1975 (in thousands of dollars)
Net assets acquired at fair value	
Current assets	$3,929
Fixed assets	2,810
Investments and deferred items	1,239
	7,978
Current liabilities	4,533
Other liabilities	740
Minority interest	361
	5,634
Net assets acquired for cash	$2,344

(c) Amortization of goodwill arising on consolidation of subsidiaries
In 1969 and subsequent years the Company has followed the policy of amortizing, over periods not exceeding twenty years, the net difference between cost of the investments in subsidiaries and the estimated fair value of their net assets at the dates of acquisition. Prior to 1969 the differences between such cost and book values of net assets at acquisition were charged (or credited) directly to retained earnings.

In the case of one acquisition in 1969 the fair value of net assets exceeded the cost of the investment. This excess was amortized and credited to income over five years, this being the estimated period necessary to achieve the full economies of integration.

Total amortization for 1975 is a charge of $759,000 (1974 — $370,000) and is included in "Cost of sales, selling and administrative expenses".

(d) Inventories
Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

(e) Deferred foreign exchange adjustment
All U.S. balances have been translated at a rate approximating the current rate. The net difference on the translation of the Company's equity in U.S. subsidiaries and the long-term debt payable in U.S. funds by its Canadian subsidiaries has been deferred until realized and is shown on the balance sheet as "Deferred foreign exchange adjustment".

(f) Fixed assets
Depreciation is recorded principally on a straight-line basis to amortize the cost of fixed assets over their estimated useful lives. The depreciation rates are substantially as follows:

Buildings	2½ to 7½%
Automotive equipment	15 to 25%
Fishing vessels	6⅔ to 7½%
Equipment and fixtures	5 to 20%
Leasehold improvements	Lesser of useful life or term of lease

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income, except that National Tea Co. and Loblaw Inc. apply the gain or loss on normal dispositions of equipment and fixtures to accumulated depreciation.

(g) Deferred real estate income
The profits realized on the sale and leaseback of property have been deferred and are being amoritized over various periods, mainly twenty-five years, according to the term of the respective leases.

(h) Discontinued operations
These operations have been accounted for separately from continuing operations as disclosed in note 3.

2. Income Taxes

(a) Income tax expense has not been reduced by the tax effect of current accounting losses in certain subsidiary companies. Income tax expense otherwise would have been reduced as follows: from continuing operations by $8,700,000 (1974 — $5,100,000); from discontinued operations by $1,350,000 (1974 — $1,400,000); and from extraordinary items by $3,500,000 (1974 — Nil).

(b) A summary of accounting losses, the tax effects of which have not been recorded in the accounts, is as follows at December 31, 1975:

	Latest year available for deduction	United States subsidiaries	Canadian subsidiaries
		(in thousands of dollars)	
Losses which may be carried forward on a tax filing basis:			
	1976	$ 760	$ 4
	1977	13,501	846
	1978	12,889	3,933
	1979	5,828	8,065
	1980	10,152	9,824
		43,130	22,672
Expenses recorded for book purposes not yet claimed for tax purposes:			
Depreciation		6,895	5,318
Other		10,641	1,268
Accounting losses, the tax effects of which have not been recognized in the financial statements		$60,666	$29,258
The Company's effective interest therein		$42,812	$24,433

(c) United States subsidiaries have unused investment tax credits available to reduce future income taxes payable as follows at December 31, 1975:

	1978	$ 233
	1979	696
	1980	556
	1981	1,178
	1982	1,422
	1983	157
		$ 4,242
The Company's effective interest therein		$ 2,974

3. Discontinued Operations

During the year Loblaw's Sayvette subsidiary discontinued the major part of its operations. Six stores were closed in 1975 and closure of a seventh was announced in January, 1976.

The 1975 results of operations of these stores to the commencement of the close-down period or year-end, if earlier, have been reflected in the consolidated statement of income as loss from discontinued operations. Losses from operations during the close-down periods and other costs of discontinuance have been disclosed separately as extraordinary items (note 4).

Sales, costs and expenses, and minority interest shown in the consolidated statement of income for the year ended December 31, 1974 have been restated to provide separate disclosure of the comparative results of discontinued operations.

4. Extraordinary Items

	1975	1974
	(in thousands of dollars)	
Prior year's sale of certain properties in Hull, Quebec		
Provision for costs, not required	$ 790	
Deferred income taxes	1,710	
	2,500	
Income tax reductions realized on application of prior years' losses	934	$ 374
Gain on sale of G. Tamblyn, Limited head office and warehousing facility		4,367
Sayvette Limited		
Leasehold termination costs	(2,943)	
Store operations and other related costs during close-down periods	(2,581)	
Loss on disposal of fixed assets	(1,447)	
	(6,971)	
Minority interest	1,047	(2,862)
	$ (2,490)	$ 1,879

5. Accounts Receivable

	1975	1974
	(in thousands of dollars)	
Trade	$110,709	$125,047
Affiliated company	2,062	
Other	44,928	33,594
Loans, advances and non-current receivables due within one year	6,136	2,417
	$163,835	$161,058

6. **Inventories,** by division

	1975			1974
	Raw materials and supplies	Finished goods	Total	Total
	(in thousands of dollars)			
Wholesale and retail	$ 14,072	$306,457	$320,529	$336,513
Food processing	45,931	73,060	118,991	159,542
Forest products	24,136	10,344	34,480	33,867
Packaging	8,854	5,963	14,817	15,598
	$ 92,993	$395,824	$488,817	$545,520

7. **Investments,** at cost

	1975	1974
	(in thousands of dollars)	
Secured loans and advances	$14,787	$12,237
Sundry investments	11,322	10,277
Non-current receivables	1,729	3,425
Properties held for development		2,943
	$27,838	$28,882

Secured loans and advances include $4,655,000 (1974 — $3,003,000) owing by directors and officers of the Company and its subsidiaries arising out of the purchase of preferred shares of the Company through a trustee as part of the Company's incentive plan. These advances are secured by the shares purchased.

Sundry investments include 837,005 shares of M. Loeb, Limited at a cost of $5,049,000 with a quoted market value of $2,259,914 at December 31, 1975. At the request of the Department of Consumer and Corporate Affairs of the Federal Government, the Company has agreed to dispose of the shares as soon as conveniently possible. The quoted market value is not necessarily indicative of their realizable value because of the number of shares held.

The remaining sundry investments do not have quoted market values and realizable value is estimated to approximate cost.

8. **Fixed Assets,** at cost

	1975	1974
	(in thousands of dollars)	
Land	$ 32,192	$ 31,384
Buildings	174,916	161,938
Equipment and fixtures	652,173	633,316
Leasehold improvements	90,055	65,688
	949,336	892,326
Accumulated depreciation	465,966	434,162
	$483,370	$458,164

9. Bank Advances and Notes Payable

Bank indebtedness of certain subsidiary companies of approximately $33,073,000 is secured by a pledge of accounts receivable and inventories of these companies.

10. Accounts Payable and Accrued Liabilities

	1975	1974
	(in thousands of dollars)	
Trade	$242,007	$269,540
Affiliated companies	123	158
Other	77,282	60,976
	$319,412	$330,674

11. Long-Term Debt

	Maturity	Payable within one year	Total 1975	Total 1974
		(in thousands of dollars)		
George Weston Limited				
Sinking Fund Debentures				
5¼% Series C	1982	$ 215	$ 7,490	$ 8,255
5½% Series D	1983	85	7,885	8,591
6¾% Series E	1986	63	5,813	6,522
6¾% Series F	1987	162	20,162	21,355
Bank loan bearing interest at 1% above the bank's prime rate	1980	1,000	20,000	23,000
Bank term debenture bearing interest at 2¼% above the bank's prime rate (subject to reduction to 1% above the bank's prime rate if loan repaid prior to 1978)	1987	750	12,750	13,500
Conditional purchase agreement bearing interest at the bank's prime rate	1977	86	518	604
		2,361	74,618	81,827
British Columbia Packers Limited and subsidiaries				
First Mortgage Sinking Fund Bonds				
6½% Series B (U.S.$3,000,000)	1983	386	3,090	3,476
6½% Series C (U.S.$1,000,000)	1983	129	1,030	1,159
5½% Loan payable	1988	22	291	312
8% Note payable	1977	103	206	309
Other notes and mortgages payable	1976-1989	149	370	569
		789	4,987	5,825

	Maturity	Payable within one year	Total 1975	Total 1974
		(in thousands of dollars)		
Loblaw Companies Limited				
Bank loan bearing interest at 1% above the bank's prime rate secured by a pledge of 3,000,000 shares of National Tea Co.	1980	$ 1,000	$ 17,000	$ 18,000
8¼% Notes payable	1976	1,950	1,950	1,950
		2,950	18,950	19,950
Loblaws Limited				
Bank loan bearing interest at 1% above the bank's prime rate	1977		15,000	15,000
Sinking Fund Debentures				
4% Series C				2,880
4¾% Series D	1976	198	198	200
6% Series E	1977	278	2,198	2,530
5¾% Series F	1981	394	4,394	4,768
6⅜% Series G	1991	25	6,025	6,428
6¾% Series H	1991		6,324	6,738
Mortgages payable	1976-1994	513	1,865	2,623
		1,408	36,004	41,167
Glenmaple Overseas N.V.				
Bank loan bearing interest at 1¾% above London Interbank offered rate (U.S. $20,000,000)	1980		20,619	
Kelly, Douglas & Company, Limited and subsidiaries				
Sinking Fund Debentures				
6% Series A	1977	76	1,176	1,285
8⅜% 1973 Series	1993		11,475	11,475
Bank loan bearing interest at 1% above the bank's prime rate	1979	500	5,750	6,375
Notes, mortgages and other long-term debt	1976-1990	235	1,590	802
		811	19,991	19,937
Loblaw Inc.				
Bank loan bearing interest at 120% of the bank's prime rate plus ½% (U.S. $30,000,000)	1983		30,928	
Notes, mortgages and other long-term debt (U.S. $134,000)	1976-1984	56	138	30
		56	31,066	30
National Tea Co. and subsidiaries				
5% Sinking Fund Debentures (U.S. $2,984,000)	1977	107	3,076	3,547
3½% Subordinated Debentures (U.S. $2,313,000)	1980		2,385	2,385
Bank term loan bearing interest at ½% above the bank's prime rate				40,207
Equipment purchase obligations bearing interest at ½% to ¾% above the bank's prime rate (U.S. $1,754,000)	1976-1978	1,169	1,808	3,363
Instalment mortgage notes (U.S. $386,000)	1976-1985	30	398	300
		1,306	7,667	49,802
Somerville Industries Limited				
6% Series B Sinking Fund First Mortgage Bonds	1977	$ 76	$ 676	$ 676
8½% Sinking Fund Debentures	1993	100	7,800	7,900
		176	8,476	8,576
Westcane Sugar Limited				
9⅜% Sinking Fund Debentures	1978	1,200	3,600	4,800
9⅜% First Mortgage Sinking Fund Bonds	1993		9,000	9,000
		1,200	12,600	13,800
Other				
9½% mortgages payable (U.S. $28,279,778)	2004	132	29,154	21,178
Notes, mortgages and other long-term debt with a weighted average interest rate of 9.2% (U.S. $7,691,000)	1976-1999	1,809	19,142	18,574
		1,941	48,296	39,752
		$12,998	283,274	280,666
Less payable within one year			12,998	22,503
Long-term debt			$270,276	$258,163

At March 8, 1976 the Canadian bank's prime rate was 9¾%, the U.S. bank's prime rate was 6¾%, and the London Interbank offered rate was 5 11/16%.

The restrictions, which included the prohibition of dividend payments, applicable to National Tea Co. pursuant to its bank term loan at December 28, 1974 have been removed in 1975 on retirement of the debt.

Principal payable in the next five years on the long-term debt of the Company and its subsidiaries is:

1976	$12,998,000	1979	$37,530,000
1977	34,786,000	1980	48,639,000
1978	26,448,000		

12. Other Liabilities

	1975	1974
	(in thousands of dollars)	
Capitalized lease obligations	$2,999	$2,821
Deferred employee compensation	1,057	940
Provision for future net obligations on closed operations	1,098	2,109
Provision for self insurance	1,340	
	$6,494	$5,870

13. Capital Stock

	Number of shares		Amount	
	1975	1974	1975	1974
			(in thousands of dollars)	
Preferred cumulative redeemable shares, par value $100 each, issuable in series Authorized	351,497	351,497		
Issued				
4½% First series, redeemable at a premium of 4%	92,082	92,671	$ 9,208	$ 9,267
6% Second series, redeemable at a premium of 5%	76,283	76,602	7,628	7,660
6% Third series, redeemable at par after October 1, 1980, convertible into 5 common shares for each preferred share and $3.75	2,000	4,000	200	400
6% Fourth series, redeemable at par after October 1, 1980, convertible into 8 common shares for each preferred share and $12.00	625	625	63	63
6% Fifth series, redeemable at par after September 1, 1982, convertible into 5 common shares for each preferred share and $11.25	20,000	20,000	2,000	2,000
6% Sixth series, redeemable at par after January 1, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $18.50		1,850		185
6% Seventh series, redeemable at par after February 19, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $21.00	3,550	3,550	355	355
6% Eighth series, redeemable at par after January 27, 1985, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $22.50	20,375		2,038	
	214,915	199,298	21,492	19,930
Common shares, without par value				
Authorized	16,950,000	16,950,000		
Issued	11,019,357	10,999,357	21,225	20,834
			$42,717	$40,764

The Company has reserved 222,460 common shares for the potential conversion of Third through Eighth series preferred shares. The exercise of the conversion privileges of preferred shares would not have a material effect on earnings per share.

During the year the Company issued 20,000 common shares for $7,500 cash and the conversion of 3,850 preferred shares. In addition 908 preferred shares (1974 — 2,797 shares) were purchased for cancellation at a cost of $49,000 (1974 — $205,000).

14. Retained Earnings

The Trust Indentures securing the Company's sinking fund debentures contain provisions whereby certain tests must be met before the declaration of dividends. At December 31, 1975 a substantial portion of consolidated retained earnings is available for dividends.

15. Commitments and Contingent Liabilities

(a) The Company and its subsidiaries have obligations under long-term leases for retail outlets, warehousing facilities, equipment and store fixtures. The aggregate minimum rentals (exclusive of additional rents based on sales, realty taxes and other charges) under leases with an initial term greater than five years are as follows for each of the periods shown:

	(in thousands of dollars)
For the year	
1976	$ 65,894
1977	64,305
1978	61,380
1979	58,569
1980	55,146
For the five years ending	
1985	204,727
1990	130,984
1995	74,310
2000	22,132
Thereafter to 2023	5,064
	$742,511

(b) Endorsements and guarantees amount to $16,681,000.

(c) The present value of the unfunded past service pension liability is estimated to be approximately $22,476,000 at December 31, 1975 and is to be amortized over various periods not exceeding seventeen years.

16. Anti-Inflation Legislation

The Company and its Canadian subsidiaries are subject to Anti-Inflation legislation of the Federal Government from October 14, 1975. This legislation provides for restraint with respect to prices, profit margins, employee compensation and shareholder dividends. There are uncertainties with respect to the application of this legislation, however it is not expected to have a significant impact on the results of operations for the year ended December 31, 1975. Under this legislation the amount of dividends which may be paid to common shareholders during the year ended October 13, 1976 is limited to $1.22 per share.

17. Subsequent Event

Loblaw's subsidiary Kelly, Douglas & Company, Limited has agreed, subject to the approval of the Foreign Investment Review Agency, to sell the shares of its subsidiary, Nabob Foods Limited.

18. Other Information

(a) The aggregate direct remuneration paid to directors and officers is as follows:

Number of directors	12 (including 1 former director)
Number of officers	18 (including 2 former officers)
Number of officers who are also directors	8

	Directors' fees	Other remuneration
Paid by the Company	Nil	$641,890
Paid by subsidiaries	$1,000	695,407

(b) Sales by division

	1975	1974
	(in millions of dollars)	
Food distribution		
Wholesale and retail	$4,294.5	$3,941.8
Food Processing		
Bakery	147.5	131.9
Biscuit	149.6	142.2
Chocolate and dairy	106.0	89.5
Fisheries	175.0	187.1
Other	133.3	103.6
	711.4	654.3
Forest products	158.2	220.8
Packaging	61.5	61.7
Interdivision	(178.9)	(167.2)
	$5,046.7	$4,711.4

(c) Included in loss from discontinued operations and in 1975 in extraordinary items are the following:

	1975	1974
	(in thousands of dollars)	
Sales	$14,645	$21,928
Rentals on long-term leases	$ 1,264	$ 1,609
Depreciation	$ 155	$ 240
Other interest	$ 140	$ 246

(d) The Companies Act of British Columbia
These financial statements comply with the disclosure requirements of the act of incorporation (The Canada Corporations Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

(e) The 1974 comparative figures have been reclassified to conform with the 1975 financial statement presentation.

Auditors' Report

To the Shareholders of
George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited as at December 31, 1975 and the consolidated statements of income, retained earnings and changes in financial position, for the year then ended. For George Weston Limited and those subsidiaries of which we are auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for the purposes of consolidation.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1975 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne Riddell & Co.

Chartered Accountants

Toronto, Canada
March 8, 1976

Directors

W. Galen Weston
Chairman of the Board
and Managing Director
George Weston Limited,
President and
Chief Executive Officer
Loblaw Companies Limited

W. Garfield Weston
Vice Chairman of the Board
and President
George Weston Limited

Richard J. Currie
Senior Vice President
George Weston Limited,
Executive Vice President
Loblaw Companies Limited

David A. Nichol
Senior Vice President
George Weston Limited,
Executive Vice President
Loblaw Companies Limited

Mark Hoffman
Senior Vice President
George Weston Limited,
Vice President
Loblaw Companies Limited

George C. Metcalf
Vice President
George Weston Limited,
Chairman of the Board
Loblaw Companies Limited

S. Simon Reisman
Chairman
Reisman & Grandy Ltd.

Frank A. Riddell
Vice President
George Weston Limited,
Chairman of the Board
Weston Bakeries Limited

James A. Watson
Vice President
George Weston Limited,
President and Chief Executive Officer
National Tea Co.

Richard I. Nelson
Chairman and Chief Executive Officer
British Columbia Packers Limited

Garry H. Weston
Chairman
Associated British Foods Limited

Officers

W. Galen Weston
Chairman of the Board
and Managing Director

W. Garfield Weston
Vice Chairman of the Board
and President

Richard J. Currie
Senior Vice President

David A. Nichol
Senior Vice President

Mark Hoffman
Senior Vice President

George C. Metcalf
Vice President

Frank A. Riddell
Vice President

James A. Watson
Vice President

Frank M. Downie
Vice President
Systems and Planning

Kenneth H. Smith
Secretary

William A. Sloan
Treasurer

Kenneth L. Harlock
Controller

Terrence H. Wardrop
Assistant Controller

Ivan R. Franklin
Assistant Treasurer
and Tax Manager

John W. Richardson
Assistant Treasurer

Charlotte Welch
Assistant Secretary

Executive Offices
22 St. Clair Avenue East
Toronto, Ontario

Stock Listings
Toronto, Montreal and Vancouver
Stock Exchanges

Transfer Agents
National Trust Company, Limited,
Toronto, Montreal, Winnipeg,
Edmonton and Vancouver;
The Detroit Bank and Trust Company,
Detroit, Michigan, U.S.A.

General Counsel
Smith, Lyons, Torrance, Stevenson and Mayer

Auditors
Thorne Riddell & Co.
Toronto, Ontario

Printed in Canada